

**AMERICANS, THE ECONOMY AND NATIONAL SECURITY: OPPORTUNITY AND
INFLUENCE IN THE 21st CENTURY**

WILLIAM J. FALLON
Captain, U.S. Navy
National War College
19 March 1992

Faculty Director:
JOHN F. LILLEY
Lieutenant Colonel, U.S. Army
National War College

Faculty Advisor:
DR. EDWIN R. CARLISLE
Industrial College of the Armed Forces

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE MAR 1992		2. REPORT TYPE N/A		3. DATES COVERED -	
4. TITLE AND SUBTITLE Americans, The Economy and National Security: Opportunity and Influence in the 21st Century				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) National Defense University National War College Fort McNair Washington, DC 20319				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release, distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT UU	18. NUMBER OF PAGES 29	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

We are concerned with the peace of the entire world.
And the peace can only be maintained by the strong.
George C. Marshall

Events of the past few years have fundamentally altered the international balance of power and offer unprecedented opportunities for American leadership. George Bush, in his preface to the August 1991 National Security Strategy of the United States wrote of a "new world order." He described "an aspiration and an opportunity...to build a new international system in accordance with our own values and ideals."¹ The United States, as the remaining superpower, is ideally positioned to assume this role in a new world order by virtue of its historical legacy, resources, global ties, prestige, institutions and power.

The vision, however, has dimmed less than a year after the U.S. stood at the pinnacle of success with its victories in both the Gulf War and the Cold War. America, triumphant over lawless aggression and ideological foe, now finds itself distracted, disillusioned, and economically declining. What has gone awry? How is it that the preeminent world military power seems incapable of seizing the historic moment? I believe that the answers can be found in U.S. domestic problems which are closely linked to the weak economy.

This essay will review the necessity for a strong economy in formulating a viable national security strategy and focus on U.S. domestic affairs, particularly the activities of

individuals, which affect the economic well being of the nation. The importance of the economy is highlighted in the National Security Strategy which declares that our national power ultimately rests on the strength and resilience of the economy.² It is my contention that we, as individuals, play a big role in the strength of our economy. Unless we revitalize as a people and change some of our habits which affect the economy, we will be unable to develop a national security strategy that will maintain the U.S. position of world leadership. It will also preclude our significantly influencing world events in this historic era.

The linkage between individuals, the economy and national security is fundamental and broad-based. Historically, this country has drawn its vitality from the hard-working, pioneering and entrepreneurial spirit of our people; the adaptation and integration of persons from different backgrounds in a free society; and the willingness of Americans to push beyond the known limits of science, technology and innovation. All of these factors helped propel our nation to a position of economic prominence and world power. Yet today, we seem to be a nation in decline -- economically, politically and socially. What will it take to reverse this downward trend? Only a willingness by individual Americans to act and to impose on themselves a bit of self discipline. The list of problems confronting us is lengthy, but solutions can begin with simple steps and a few changes to recently acquired habits. A return to greatness will not come about by government action alone. Individual action is

required. The unhappy consequences of passivity in the face of challenge are written throughout the pages of history.

Opportunities Offered by Recent Events

For more than four decades, U.S. national security strategy was sharply focused on containing the menace of communism. The foremost ideological and military foe for the U.S. was the Soviet Union, resilient and seemingly implacable behind Churchill's aptly named "iron curtain" which also encircled and enslaved Eastern Europe. Shocked by the "losses" of China and Eastern Europe to communist rule in the aftermath of World War II, the U.S., albeit reluctantly at first, assumed the role of vigilant protector of the free world. Throughout the Cold War era, fear of communist expansion by the USSR or their perceived minions kept the U.S. on a fairly predictable foreign policy course. Substantial economic and diplomatic largess was expended to ensure that the U.S. had the military forces and alliance structure to contain the USSR. A formidable anti-Communist/anti-Soviet military and economic infrastructure was established to help keep pressure applied on economic, political and ideological fronts.

In the late 1980's, the European communist empire began to self destruct. The countries of Eastern Europe threw off their totalitarian chains, the Berlin Wall crumbled under the onslaught of freedom, and even the once mighty Soviet Union disintegrated in economic collapse and political fragmentation. By the early 1990's, the powerful Soviet threat to the U.S. and

its allies, if not completely removed, was substantially and irrevocably diminished.

A mighty struggle had been won. The relaxation in tension was palpable. Democratically inspired institutions and governments began to form and free market economies took their first halting steps. Victory in the Cold War brought fulfillment to the dreams of generations and offered great promise and possibility for the future. Best news of all was the absence of another military threat to fill the Soviet void.

At the same time that the Cold War was developing between East and West, the U.S. was experiencing an unprecedented era of economic expansion. Emerging from World War II with the greatest industrial base in the world (and the only one not ravaged by the war), the U.S. rapidly achieved global economic dominance. Establishing financial, commercial, cultural and military ties worldwide, America has enjoyed a position of influence that remains unequalled and provides a solid foundation for future endeavors.

Enhancing the strategic environment for the U.S., are strongly democratic and economically powerful Japan and Germany, two nations which benefited from U.S. assistance in rising from the ashes of World War II. The former is the cornerstone of our Asian foreign policy, a most important trading partner and despite the current round of mutual "bashing," shares extensive bilateral ties at all levels of our relationship. Germany, newly unified, is the dominant state of Central Europe and closely allied to the U.S. When else in history have the three

most powerful economies in the world all been democratically governed and shared such close bonds?

The Persian Gulf crisis of 1990 and subsequent war brought together under clear and successful U.S. leadership an historic coalition of nations allied against the aggression of Saddam Hussein's Iraq. The success of this endeavor in bridging previously sharp differences among participants, offers historic opportunities for a new world order. The coalition included countries from every continent and both sides of the Cold War. Galvanized opposition to Iraq brought Arab armies together with U.S., French and British. Israel was on the same side as Saudi Arabia and the Gulf States as well as longtime foe Syria. The then existent Soviet Union joined Western powers in enforcing sanctions against Saddam Hussein. Among other things, this surprising coalition demonstrated the feasibility of uniting, if only for a short term, seemingly disparate national priorities for a purpose conducive to world order and stability. Perhaps more importantly, it provided an opportunity to open a dialogue between Israel and the Arabs, which might eventually lead to accommodation.

Shifting to Asia, we note words of encouragement and potential reconciliation on the long-simmering Korean peninsula. China, the last great bastion of communism has many links with democratic countries. More dramatic and successful stories are found in the economic growth of the Asian Pacific countries. Here, as throughout Latin America, democratic governments are on

the increase and gaining confidence as they survive and rebuild their economies.

The transformation currently underway on the world scene is astounding. Our major military rival and competition for international influence is fragmented and economically impotent. Many authoritarian regimes are gone and people from countries enjoying new-found freedoms look to the U.S. for guidance and help. Rare opportunities to bury past enmity are at hand. Emulation of U.S. institutions and culture is remarkably strong and widespread. There has never been a greater opportunity for world peace, stability and expansion of democratic ideals and values. Time is fleeting however, and the window of opportunity may not remain open for long. We cannot afford inaction.

Importance of the Issue

In addition to the opportunities offered by recent events, there are economic and geostrategic reasons to rethink our strategy. The passing of the Cold War necessitates a complete overhaul of U.S. strategic thinking as almost every defense and international decision of the past 47 years has been based upon a framework of anti-communism and Soviet military threat. Succinctly put in the Chairman of the Joint Chief of Staff's 1992 National Military Strategy, "the old international order was familiar, tangible and it provided a focal point for Free World policies. Now that focus has been blurred by a whirlwind of historic change."³ U.S. military forces will be restructured in the face of the diminished strategic threat from a fractured ex-USSR. But human nature has not changed and the end of the

Cold War does not mean the end of conflict. The potential for growing proliferation of nuclear weapons will challenge us to deter their development and use. Uncertainty is greater today than during the Cold War and the potential for conflict is high.

To plan a national strategy one must make certain assumptions and U.S. planners have traditionally assumed that resources would be made available to structure the forces, alliances and policies necessary for the strategy to be successful. Current economic and domestic political trends challenge that assumption. If adequate resources are not provided, the U.S. risks having forces and policies which do not permit its global influence, thus the viability of the U.S. as the major world power, able to influence international events, is at issue today. We are at a cross-roads. The question we must face is whether or not the U.S. shall continue to lead the world.

Many people welcomed U.S. leadership in the Gulf crisis, want the stabilizing influence which our institutions provide and look for continued U.S. help in the future. There is no country better equipped to assist the developing countries of the world. Our prestige and leverage following the Gulf War were at an all time high. The U.S. has led efforts to democratize and economically support Latin America; it played a key role in resolving the Angolan strife and achieving German unification; and it provided leadership of the Gulf War coalition during and after the war. There is still much work to be done and we have a responsibility to the people of the world

to share our resources and blessings. Emerging democracies need economic and political assistance. Conflict resolution is enhanced by an arbitrator respected by and influential with involved parties. But the ability to significantly influence world events assumes national power, and economic strength is the foundation of that power.

The Economy And National Power

"To be a Great Power--by definition, a state capable of holding its own against any other nation--demands a flourishing economic base."⁴ Yet typically, the first inclination, when thinking in terms of national power, is toward military prowess. This is undoubtedly the result of mankind's long history of warfare as the manifestation of competition between competing national powers. A good argument can be made that the growth or contraction of economic power is the key underlying factor in major international conflict.⁵ Close scrutiny of the rise and fall of nations inevitably reveals a close, direct relationship between military and economic strength. At least since the dawn of the industrial age, no nation could acquire and employ the material necessary for military success without a strong supporting economy. It is possible, as with present day Japan, to be recognized as a major power without possessing a powerful military force, but the converse has no historical precedent. The dynamics of the world dictate constant change, but a powerful combination of resources, wealth and industrial base as well as the political will to employ them are essential prerequisites for national power.

The importance of long term economic strength and industrial capability to the vitality of this nation was well understood by many of the Founding Fathers. Alexander Hamilton wrote at great length of the need to develop resources, infrastructure, manufacturing and a legislative support structure to support a strong domestic economy. His persuasive arguments detailing the benefits of industrialization, pursuit of new technology and increased foreign trade were instrumental in the development of the U.S. as a world power.⁶

The relationship between economic, military and political power is complex but dominant states typically demonstrate their influence through the exercise of economic power.⁷ This leverage over other states may be seen in everyday transactions of trade and commerce and grows more important in the increasingly interdependent world economy. The rapid growth and availability of information and communications facilities to individuals throughout the world is speeding the integration of economic activities. Nations with economic power are centers of attention and influence. Further, the collapse of the Soviet bloc and announced cutbacks in armaments and military spending by the major nations seem to verify a trend toward the preeminence of economic over military factors in the relations of states.

Economic Detractors from U.S. Power and Influence

Given the importance of economic power to international relations, why isn't the U.S., with the largest Gross Domestic Product in the world, able to take the initiative? The answer

is found in the relative ill-health of the economy. The qualifier "relative" is included because it is when compared to other world industrial powers that the decline of the still mighty U.S. economic output is important. But we must take care not to be misled by the fact that the current recession, albeit depressing and painful, especially in terms of unemployment levels, is a periodic and temporary occurrence in the business cycle. Likewise, the consumption-enhancing but superficial prosperity of the 1980's masked a steady worsening of the underlying economic fundamentals.⁸ By the mid-1980's, evidence supporting the relative decline of the American economy had become overwhelming.⁹ U.S. share of gross world product had dropped from about 40 percent in the early 1950's to approximately 22 percent by 1980.¹⁰ By 1987, America had the lowest rate of productivity growth in the industrialized world--half the German rate, one quarter of the Japanese rate,¹¹ and in 1990 recorded an increase of 2.5 percent on an annual basis, still lagging Germany and Japan.¹²

As recently as 1981, the U.S. was a leader in GNP per capita output; it has since dropped to number six in the world behind Japan and four Western European countries. It has also lost the lead in many key technologies. By the end of the 1980's, the U.S. was the world's largest debtor, and faces the prospect of paying three to five percent of national output to foreign lenders by the mid 1990's.¹³ The current national debt is a staggering 3.1 trillion dollars.¹⁴ A merchandise trade deficit has persisted annually since 1976 and for 1990 amounted to 101

billion dollars.¹⁵ In 1960, seventy out of the world's top 100 industrial firms (sales) were U.S. companies; by 1990 only 33 were American. The number of Japanese top 100 firms grew from two to sixteen in the same period and European community numbers increased from 27 to 38.¹⁶ Although there are some bright spots and continuing successes in such areas of the economy as aerospace and a few other high technology industries, the major trends are negative.¹⁷

Arguably the most significant detractor to the economic health of America is the rapidly increasing budget deficit. This debt affects myriad activities of the government, world financial markets and individuals. Doubt about the federal government's ability or willingness to deal with it creates uncertainty which is reflected by financial markets in high long-term interest rates. This in turn raises the costs of doing business for U.S. firms, decreases international competitiveness and negatively influences the American economy. The high interest rates offered by the U.S. Treasury attract foreign buyers of dollars, keeping the currency exchange rate high. A strong U.S. dollar means higher costs for our exports for foreign buyers and lower U.S. prices for foreign imported goods. One result is a continuing negative trade imbalance and a particularly painful merchandise deficit which is a major factor in the declining industrial and high technology base of the nation. Government inaction in the face of the clearly debilitating effects of the deficit are symptomatic of the domestic malaise which envelops the country.

Domestic Contributions to Economic Decline

Domestic social ills are most evident in our cities but touch many people at all levels of U.S. society. I believe that most of our national economic difficulties have their roots in these major social issues.

Education at the primary and high school levels of our public schools is greatly deficient when measured by real literacy levels, comparative international test scores, drop-out rates, and technical subject proficiency. This unsatisfactory situation has failed to improve despite billions of dollars directed toward education by a succession of presidential administrations.

The decay of our cities in appearance, infrastructure, lawlessness, services and capital flight is appalling. Demographics play a large role in recent trends as the populations of major cities have soared. In addition to immigrants from abroad, who historically have tended to congregate in major U.S. cities, large numbers of rural poor seeking a better life flooded urban areas during the past fifty years. Immigrant labor has long been a foundation of economic expansion in this country. But unlike previous experience, when upward social mobility allowed people to climb the economic ladder of prosperity, large urban populations have stagnated and cities have been unable to cope with the problems. This influx of humanity, typically with minimal or no personal resources, has placed a heavy demand on urban social services. A

significant number of these people have remained at or below the poverty level, perpetuating an underclass community of welfare dependency and a wide range of social problems.

Exacerbating the difficulty for our cities has been the steady movement of middle class and affluent citizens away from urban toward suburban areas. Consumer oriented as well as commercial and manufacturing businesses have followed the trend of individuals with their flight accelerated by increased taxes and costs of doing business in urban areas. This has resulted in high unemployment in many U.S. cities and an increase in welfare dependency which has fostered low self esteem and a sense of despair. Underemployed people with minimal incomes coupled with the dysfunctional family structure which exists in most of our urban ghettos have resulted in rising crime rates and greater non-productive government expenses. Crime, the scourge of illicit drug use, the spread of AIDS and high infant mortality rates are sapping urban vitality. Hard pressed city and state governments, groping for ways to pay for growing demands on social services, have been forced by limited budgets to defer or ignore systematic renewal of an aging physical infrastructure. These rising costs and many of the problems have been rippling outward from the cities into other areas of the country and affect us all with increasing impact.

Values, Priorities and Isolationism

Less tangible but important signs of concern are the increasingly negative attitudes expressed by growing numbers of Americans about national values, vision and priorities. David

Gergen, Editor of U.S. News and World Report, recently noted sinking public confidence in government and widespread negativism in opinion polls and interviews when people were asked about personal expectations for the future.¹⁸ Many observers of the American political scene have questioned the priorities of individuals and decried the increasing focus on triviality in American life. Consider the media attention devoted to entertainment and sports figures, to sex scandals and trials and the recent hoopla over which likeness of Elvis to engrave on a stamp. Commentators have highlighted the negative impact of inverted priorities on productivity and standard of living for the future of children in an America where "athletic skills are more important than job skills; athletes are more important than frontline workers."¹⁹

The important factor for this essay is the impact of these economic and social issues on the American political process and their implications for future national security and international political interests. A growing sentiment toward isolationism has been heard since the end of the Gulf and Cold Wars. This is not an unusual pattern on the American political scene as it has appeared following both World Wars and was the prevalent domestic mood during the last half of the 19th century. In the period since 1945, American public opinion has generally favored an activist course in world affairs. But now, increasingly strident calls for nativism, and the "America First" slogan of presidential aspirant Patrick Buchanan signal a trend toward isolationism. David Gergen notes that these

trends, plus calls for a new economic nationalism are "striking a deeper chord within the populace."²⁰

In response to opposition political campaign themes attacking his alleged concentration on foreign affairs at the expense of domestic concerns, President Bush has turned his attention to domestic issues. The pivotal event in focusing presidential attention was in November 1991 when little known Pennsylvania Democrat Harris Wofford trounced the state's best known Republican in a Senatorial election.²¹ Thereafter came cancellation of a Bush trip to the Far East, rescheduled in January 1992 as a domestic political event which turned into an embarrassing international disaster for the President.

The closeness of the Presidential electoral race and the stubborn refusal of the economy to recover from the current recession portend increasing focus by the political leadership on domestic issues while precious time to capitalize on world events slips past. Increasingly strident demands to direct defense allocations, the Cold War "peace dividend," toward solving domestic problems, as well as reduced economic growth due to long term factors and the recession, place competing fiscal demands on the budget. The American bureaucratic process, responding to interest group pressures and historically addicted to "quick fixes" may tend toward perceived solutions to issues rather than a comprehensive approach and long-term strategy. The implications for the U.S. are continuing economic problems and an inability to seize the great leadership opportunities of the day.

Individuals and the Economy

One often wonders, in view of the vast capital flows and immense size of contemporary nations and populations, if individual citizens can have an impact on affairs of the world, particularly in economic matters. For Americans and others fortunate to be living under democratic or representative political systems and free market economies the answer is a resounding "yes"! Political choice is the means by which citizens effect change. Typically, the results are indirect and require time to mature, but even the most hardened cynic of our own interest-group-dominated system ought to conclude that the will of the people ultimately prevails. Government does what it perceives a majority of people want it to do or won't object vociferously to (e.g., pork barrel projects). Evidence of this can be seen in the attention and reaction to opinion polls by politicians sensitive to the desires and perceptions of the electorate.

In economics, the essence of a free market is the expression of choice and individual preference by both producers and consumers. Indeed, the question of the day during the current recession is: When will consumers begin to spend? Economists speculate and politicians promise but both await individual consumer (and producer) actions to advance the business cycle through increased purchases which stimulate production, employment and economic expansion.

Individual behavior influences personal and national economic activity and other factors which in turn impact

economic policy. Decisions about job preference, number of children, type and location of housing, and retirement age are examples of personal actions which have great aggregate effect on the national economy. The trend of women in large numbers entering the workplace since the 1960's -- another result of individual choice, has changed an entire spectrum of social and economic factors from income distribution to federal funding for daycare.²²

Even a hotly debated topic like the dramatic increase in health care costs is, in part, a function of individual actions. Recently, President Bush and Health and Human Services Secretary Dr. Louis Johnson addressed the relationships between personal behavior and lifestyle choices and the high cost of irresponsible behavior to society.²³ Many health services would not be in such great demand if people used better judgment in food consumption, sexual behavior, alcohol and drug use. Dr. Leroy Schwartz, president of Health Policy International, calling upon America to resolve social problems before they become medical problems, wrote in the Wall Street Journal: "The United States, more than any other developed country is paying dearly for its social and behavioral problems in the emergency rooms and intensive health care units of its hospitals."²⁴

Personal choice and behavior which affect economic matters range from the philosophical to decisions about what industries this nation should support. Philosopher Mortimer Adler poses the following questions:

Beyond our own individual happiness, have we no moral obligation to seek the happiness of others, either all other human beings on earth, or at least all the fellow human beings who are members of the same society, persons with whom we are associated and with whom we live together? Moreover, are we sometimes not morally obligated to subordinate the pursuit of our own happiness to acting for the happiness of others, and even to sacrifice some of the real goods that we rightly desire for ourselves in order to serve better the pursuit of happiness by others?²⁵

Habits, good or bad, become comfortable over time and change-resistant inertia soon follows. For governments to properly serve society, good policies are indispensable. To develop good policies, governments need direction and participation by those they serve. As history has shown, mankind has advanced and change has occurred in response to individual challenges to the status quo. Citizens must believe in their ability to cause meaningful change and recognize that there are ample precedents. With the knowledge that we can make things happen, we can influence our destiny.²⁶

A CALL TO ACTION

If we, as a nation, are to assure our security and our continued ability to influence global action, we must recognize the relationship between individual choices and actions, the economy and security. We must also stop blaming others for our problems; both as individuals and as a nation. We must accept responsibility for our own behavior and our national economic situation. It is time to remember that someone must always pay for "free lunches." We expect our federal state and local governments provide the basic necessities of life to those in

need, but we must recognize that resources are limited and appetites must be restrained.

The concept of subordinating individual wants to societal interests is not much in evidence today. We cherish individual freedom but there are times when the best interest of the community or country requires us to forego some activity in favor of collective or coordinated behavior. Groups of individuals regularly demand satisfaction of their interest, but governments cannot satisfy all of them. We must strive for the common good.

Self discipline is a basic virtue which pays immense dividends and promises steady reward if applied to social and economic behavior. Curbing runaway consumption by individuals and the government, as well as demands for personal satisfaction could be combined with a renewed effort to work together, to increase savings and investment rates, and to adopt more of an attitude of "pay as you go."

Admonitions to "get priorities in order" are often heard but seldom realized. Rearranging value judgments about activities and people who really matter to the welfare of the country and its future are overdue. Columnist Alston Chase recently criticized the "do as I say, not as I do" message that we Americans often convey to our youth:

Sermonizing about hard work, education, environmental quality and a drug free lifestyle, we idolize the lazy, ignorant, profligate and addicted. Mostly we revere entertainers and athletes. But what they offer is fantasy and escape and what America needs is a good dose of reality. Those who ultimately chase America's

blues away are the educators, scholars and inventors whose knowledge, and imagination keep the country rich and the environment clean. Yet society shuns these productive individuals...and the brutal truth is that Americans don't hold knowledge in high regard. Unable to face reality, it (the public) turns to fantasy, mistaking show for substance, glitter for gold. Our problem is not sloth but escapism and indifference to learning.²⁷

Improving the quality of primary and secondary public education should be a top national priority. Parents must look at their priorities and attitudes toward education. We must develop higher educational standards as currently they are too low and inconsistent; emphasize important subject matter in the classroom, eliminating fluff and requiring more basic reading, writing, mathematics and science; and impose performance accountability for students, parents, teachers and administrators. Education is critical to the future development of our children. And it is only through well-educated citizens that we will be able to make the technological advancements required to keep the economy strong. Education provides a high future return on present investment.

Making better use of available human resources would also benefit the economy and aid long term growth. Why not take advantage of the increased longevity of our people and retain the many highly skilled "senior citizens" who chose to continue in their jobs instead of retiring them early? Even part-time employment could benefit the individual and society. Why not use wage differentials to encourage our young people to enter high skill and technology jobs so essential to a strong

industrial base? Occupational choice is another example of individual impact on our economic foundation.

We must also get the federal government back on a sound financial footing by eliminating the budget deficit. Federal debt at the end of January 1992 was 17 percent higher than the previous fiscal year's record breaking total and is widely recognized as a major villain in high, long-term interest rates and other economic woes.²⁸ Insolvent businesses and households don't function very well. Common sense tells us that governments are likely to experience similar fates when national treasuries go broke.²⁹

Arresting the decay of our cities will require actions in addition to that already proposed. Long term planning with goals of restoring and maintaining physical infrastructure is necessary but assumes improvement in the social setting. The fragmentation of the family has a well-documented negative impact on economic well-being. Behavior of individuals is crucial and good family decisions are essential to strengthening the fabric of society. At the community level, we would be a lot better off with less ethnocentrism and more trust and cooperation between people at all levels. There is a crying need for better assimilation of minorities into the social and economic mainstream. Yet, this will not happen unless the current trend of highlighting differences is reversed. The success of the American armed forces in this regard is worthy of note and emulation by communities and private businesses.

To address some of these problems, a group of House Republicans recently unveiled a proposal that government and individuals agree to a new social covenant that promises broad-based assistance in exchange for responsible behavior.³¹ This approach emphasizes mutual obligations and supports other proposals offered in this essay; it also has been proposed as a basis for dealing with other nations in foreign affairs. Many aspects of this idea have received favorable review, including the following by political analyst Ken Adelman:

The concept of a social contract is an age old one in political theory, reinforced by John Locke and others since him. That it works in both domestic and international affairs and stresses values and mutual responsibilities is to its further advantage. Moreover, it just so happens to be the right way to proceed.³²

This type of proposal has elements of the basic "carrot and stick" approach. Examples include financial incentives to complete high school and acquire vocational training or assistance to attend college in exchange for a national service obligation. Single mothers would be offered supplements if education and job training were completed but would lose some benefits if they had more children. Higher levels of aid would be provided to those parents who maintain intact households rather than having fatherless families because of economic disincentives of the current welfare system.

As we look to the future, there are signs that some individual Americans understand the problems and their roles in solving them. Citizens in Rhode Island are spearheading a

revolt for values and ethics to rid their state of corruption. A broad-based coalition calling itself "Right Now" has vowed to clean up scandalously corrupt local and state governments by lobbying for an ethics legislation package, demanding open hearings of state commissions and withholding campaign funds.³³

Former Surgeon General C. Everett Koop, long an outspoken critic of unhealthy lifestyles, recently joined several health care industry representatives in drafting a far-reaching proposal to overhaul the nation's health care system. His plan entails better preventive programs, reform of current financing and administration, and revised training and education programs to balance the number of specialists with requirements for their expertise. A main point of the proposal is acceptance of some short-term loss of expectations about health care in exchange for long term national gain (a more efficient system at affordable cost).³⁴

Politicians are also getting the message of general constituent dissatisfaction with their inactivity on real economic issues. Senator Warren Rudman, highlighting the explosive growth of entitlement programs as the principal source of the deficit, urged Congress to defeat "quick fix" tax packages before it in Spring 1992. He recommends facing the issue honestly and either cutting entitlement growth or raising taxes to pay for it.³⁵

The need to overhaul the public education system is now widely recognized and serious reform efforts, including proposals for a longer school year, are underway across the

nation. Indeed, each of the major presidential aspirants has made education a top priority and outlined specific proposals ranging from national standards to guarantees of college tuition subsidies with payback in the form of national service.³⁶

Finally, an economic statistic which has enormous significance should the trend continue, is the revelation by the Commerce Department that installment debt fell 0.8 percent during 1991, the first annual drop in 33 years.³⁷ If this translates into a long-term trend by Americans and if it is the result of conscious choices rather than a reaction to recession or fears of unemployment, the debt reduction could translate into renewed national financial strength by increasing savings and investment rates.

SUMMARY

The ability of the U.S. to play the principal leadership role in a world of fundamentally altered relationships is hampered by our domestic social and economic problems. An historic opportunity to create a new and better world order following the collapse of Soviet communism and the success of the Gulf War coalition may thus elude the nation most capable of influencing the future. Human nature and history indicate that traditional threats to stability and security in the post-Cold War era will persist. Uncertainty, old animosities and potential conflicts will require a strong military component to our economically-based national security strategy.

Long-festerling domestic issues have become the focal point of U.S. political interest in this presidential election year,

with inadequate attention being paid to world affairs. Furthermore, a decline in the American economic position undermines the strong foundation necessary to build a viable national security strategy. As the rest of the world looks to the U.S. for leadership, governmental paralysis is increasingly recognized by diplomats, policymakers and political analysts. Former President Richard M. Nixon recently criticized the Bush Administration's "pathetically inadequate response in light of the opportunities and dangers we face in the crisis of the former Soviet Union."³⁸ As Nixon would be quick to point out, our inability to seize this historic moment may prove to be more costly to us in the 21st century than we currently imagine.

In an increasingly interdependent world with greater reliance on economic ties, the importance of revitalizing America is second to none. Action to remedy domestic problems and fulfill our global leadership obligations are inescapable national responsibilities. Individual action by Americans, exercising self-discipline and common sense, must be undertaken if we are to rebuild our nation and its traditionally strong economy. Upon this stalwart foundation, the U.S. can successfully craft a national security strategy, capitalize on current opportunities and maintain peace in an evolving new world order.

ENDNOTES

1. United States. National Security Strategy of the United States. Washington: GPO. 1991. V.
2. United States. National Security Strategy of the United States. 2.
3. United States. National Military Strategy of the United States. Washington: GPO. 1992. 1.
4. Paul Kennedy. The Rise and Fall of the Great Powers. New York: Random House, 1987. 539.
5. Paul Kennedy. See particularly 143-347.
6. Alexander Hamilton. 'Report on Manufactures'. Papers on Public Credit, Commerce, and Finance by Alexander Hamilton. Samuel McKee, ed. New York, 1934. In Powernomics: Economics and Strategy After the Cold War. Prestowitz et al. ed. Lanham, MD: Madison Books, 1991. 129.
7. Robert Gilpin. The Political Economy of International Relations. Princeton, NJ: Princeton University Press, 1987. 76.
8. Lawrence Chimerine. "What Supply Side Miracle?" Powernomics: Economics and Strategy After the Cold War. Prestowitz et al. ed. Lanham, MD: Madison Books, 1991. 11.
9. Robert Gilpin. The Political Economy of International Relations. 344.
10. Kenneth Oye and Robert Gilpin. "Western Block Cohesion: The American System and Its Challenges" in The Political Economy of International Relations. Princeton, NJ: Princeton University Press 1987. 344.
11. Richard Lamm "Unmanifest Destiny" in Lessons from the Rise and Fall of Nations: The Future for America. Ronald A. Morse et al. Washington Woodrow Wilson International Center for Scholars, 1987. 15.
12. Arthur Neef and Christopher Kask. "Manufacturing Productivity and Labor Costs in 14 Economies." Monthly Labor Review. Bureau of Labor Statistics. Washington. December 1991. 25.
13. Clyde V. Prestowitz, Jr. "In a Single Decade". Powernomics: Economics and Strategy After the Cold War. Prestowitz et al. ed, Lanham, MD: Madison Books, 1991. 5.

14. "Federal Budget Summary 1945-1990". Statistical Abstract of the United States 1991. Washington: GPO, 1991 Table 507. p. 315.

15. "U.S. Exports and Imports of Merchandise 1960-1990" Statistical Abstract of the United States 1991. Washington: GPO, 1991. Table 1401. p. 804.

16. "The 500 Biggest Industrials" and "The Worlds' Biggest Industrial Corporations" Fortune. July 1961 167-170 and 29 July 1991 245-246.

17. This view of economic decline is challenged by some and discounted with the following arguments. First, the dynamic growth of other national economies since the start of World War II reconstruction is naturally reducing U.S. dominance. A second explanation is to highlight the fiscal role of the U.S. in opposing the Soviet Union during the Cold War. A rebuttal is to compare relative growth patterns and note the persistent U.S. decline. Military expenditures were indeed massive (e.g., \$296 billion in the FY 90 budget) but defense expenditures as a percent of GNP fluctuated only slightly between 26 and 29 percent from 1975 to 1990 with a downward trend since 1987. See "Federal Budget Outlays 1975-1990" Statistical Abstract of the United States 1991. Washington: GPO, 1991 Table 510. p. 318

18. David Gergen. "Missed Opportunities," Foreign Affairs, Volume 71, No. 1 New York: Council on Foreign Relations, 1992. 17.

19. William Kolberg and Foster Smith, "Our Unsung Olympic Hero," Washington Post. 23 February 1992. C-5.

20. David Gergen. "Missed Opportunities." 13.

21. David Gergen. "Missed Opportunities." 12.

22. In 1960, only 18.6 percent of married people with children under 6 were in the labor force; by 1990, 60 percent of women with young people worked. The percentage of families in which both spouses work increased from 31.6 percent in 1960 to 70 percent in 1990. Dana Priest, "Major Changes Seen in Female Labor Force", Washington Post. 25 March 1992. A-21.

23. Cal Thomas. "Health Care Reform: Bad Lifestyle Choices Worsen Bad Times." Virginian Pilot [Norfolk, VA.] 17 February 1992. A-15.

24. Dr. Leroy Schwartz, Health Policy International. cited by Cal Thomas in "Health-Care Reform" Virginian Pilot. 17 February 1992. A-15.

25. Mortimer Adler. Desires Right and Wrong. New York: Macmillan, 1991. 58.

26. T. Morton Davis. Making America Work Again. New York: Crown, 1983. 270.

27. Alston Chase. "Elvis and the Candied Tongues." Washington Times. 2 March 1992. E-1.

28. John M. Berry. "Long-term Rates Uneasy Ride: Recent Instability Worries Economists, Points Up Deficit's Perils." Washington Post. 29 February 1992. C-1.

29. Some economists argue that because of sheer size, national economies can continue to function despite massive debt burdens. Ample contrary historical evidence is available. Economic decline to collapse leads to decreased standards of living and technological and societal regression (Gilpin, The Political Economy, p. 406). Also note the economic collapse of the former USSR.

30. U.S. Congress House Wednesday Group. Moving Ahead: Initiatives for Expanding Opportunity in America. Washington: GPO, 22 October 1991. 19.

31. House Wednesday Group. 1-53.

32. Ken Adelman. "Social Contracts' Potential." Washington Times. 4 March 1992. F-3.

33. "Rhode Island Scandals Spur Ethics Campaign." New York Times. 23 February 1992. National 1.

34. C. Everett Koop. Robert L. Laszewski and John E. Wennberg. "Health-Care: Tinkering Won't Help." Washington Post. 19 February 1992. A-19.

35. Warren Rudman. "Leveling with the American People," Washington Post. 15 March 1992. C-7.

36. Mary Jordan. "The Democrats' Cure-All," Washington Post. 15 February 1992. A-1.

37. John S. McClain. "Consumers Continue to Pay Down Debts." Washington Post. 10 March 1992. C-3.

38. David Hoffman. "U.S. Politics Constrains Role Abroad." Washington Post. 10 March 1992. A-1.